

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE
MONTANA STATE AUDITOR**

IN THE MATTER OF

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) CASE NO.: SEC 2016-195
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JOHN HERMANSEN; POKER JUNKIES
PRODUCTION, LLC; and GAWK INC.,

) **DEFAULT ORDER**
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Respondents.

On August 5, 2016, the Office of the Montana State Auditor, Commissioner of Securities and Insurance (CSI), filed a Notice of Proposed Agency Action and Opportunity for Hearing (Notice) against, among other parties, Respondent GAWK Inc. (Respondent). The Notice alleged that Respondent committed violations of Montana securities law. The Notice was sent to Respondent by certified mail, to its address of 5300 Melrose Avenue, Suite 42, Los Angeles, CA 90038. The CSI received the return receipt on August 15, 2016, showing the Notice was accepted by signature on August 9, 2016. Respondent has not contacted the CSI, in writing or otherwise, to request a hearing.

The Notice provided Respondent the opportunity to request a hearing, requiring a written demand no later than 21 days after receipt of the Notice.

By motion dated X, the CSI moved for entry of default against Respondent. On November 1, 2016, the CSI filed the motion with the Affidavit of Mark Murray.

Upon consideration of the Notice, the CSI's Motion for Entry of Default, the Affidavit of Mark Murray, and Respondent's lack of action, the Commissioner of Securities and Insurance, Montana State Auditor (Commissioner) makes the following:

FINDINGS OF FACT

1. The CSI's statements of fact, as presented in its Notice, Motion, and the Affidavit of Mark Murray, stand as unchallenged and establish that Respondent issued securities to Montana residents B.L. and M.L. on two separate occasions. The first transaction occurred in or around November 2013, when Respondent acquired the assets of Poker Junkies Production, LLC (Poker Junkies), into which the Montana residents had previously invested \$57,400. The second transaction occurred in or around December 2013 when the Montana residents paid \$49,000 in exchange for 490,000 shares issued by Respondent. On neither occasion did Respondent provide the Montana residents with prospectuses, disclose to them that Gawk was in a significantly adverse financial condition, or disclose that Poker Junkies' principal (and later, director and officer of Respondent) John Hermansen was subject to a 2011 Colorado Securities Commission cease and desist order for securities violations. The CSI alleges that these acts of Respondent constituted fraudulent securities practices as specified in Montana law.

2. The CSI gave notice to Respondent of this proposed agency action by sending the Notice by certified mail. No response was received by the CSI from Respondent.

CONCLUSIONS OF LAW

1. Any Finding of Fact more appropriately considered a Conclusion of Law is hereby incorporated into these Conclusions of Law.

2. The Commissioner administers and has jurisdiction over violations of the Securities Act of Montana, Mont. Code Ann. Title 30, Chapter 10 (Act). The Commissioner is to administer the Act to protect investors, persons engaged in securities transactions, and the public interest. § 30-10-102(1).

3. The notice provided to Respondent in this case fulfills the requirements set out in Mont. Code Ann. § 2-4-601 and Admin. R. Mont. 1.3.214.

4. A person may not, in connection with the offer or sale of a security in or into Montana, omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. § 30-10-301(1)(b).

5. Respondent violated § 30-10-301(1)(b) when it failed to disclose to its Montana investors that:

a. Gawk was in a financial condition so adverse as to raise concerns regarding its ability to continue to operate as a going concern; and

b. Hermansen was subject to the 2011 Colorado Securities Commission cease and desist order for securities violations.

6. A person may not, in connection with the offer or sale of a security in or into Montana, engage in any act, practice, or course of business that operates or would operate as a fraud or deceit under any person. § 30-10-301(1)(c). For purposes of this subsection, “fraudulent practices” includes:

a. The failure to provide a prospectus no later than the date of confirmation of a transaction, Admin. R. Mont. 6.10.401(1)(j); and

b. conduct constituting nondisclosure, incomplete disclosure, or misstatement of material facts, Admin. R. Mont. 6.10.401(1)(u).

7. Respondent violated § 30-10-301(1)(c) when it engaged in a practice or practices that operated as a fraud on any person, namely:

- a. failing to provide a prospectus to its Montana investors;
- b. failing to disclose to its Montana investors that it was in a significantly adverse financial condition; and
- c. failing to disclose that Hermansen was subject to a 2011 Colorado Securities Commission cease and desist order for securities violations.

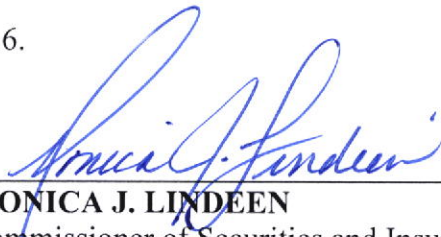
8. Pursuant to Mont. Code Ann. § 30-10-305, the Commissioner may fine a person not to exceed \$5,000 per violation of parts 1 through 3 of the Act. Additionally, the Commissioner may require a person found to have violated § 30-10-301 to pay restitution for all financial losses resulting from the violation, including ten percent annual interest.

ORDER

Based on the foregoing, IT IS ORDERED that:

1. Respondent shall pay a \$10,000 fine.
2. Respondent shall make restitution to its Montana investors in the amount of \$106,400.00, plus statutory interest to date, for a total of \$137,682.72.
3. All fines and restitution must be paid within 30 days from the date of this order.

DATED this 18th day of November, 2016.


MONICA J. LINDEEN
Commissioner of Securities and Insurance,
Montana State Auditor

cc: Nick Mazanec, Counsel for the CSI
Murry Warhank, Counsel for John Hermansen
Gawk Inc.